

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Marquette County Road Commission</i>	County <i>Marquette</i>
Audit Date <i>9/30/05</i>	Opinion Date <i>12/9/5</i>	Date Accountant Report Submitted to State: <i>3-21-06</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <i>Anderson, Tackman & Co., PLLC</i>			
Street Address <i>102 W. Washington St., Suite 109</i>	City <i>Marquette</i>	State <i>MI</i>	ZIP <i>49855</i>
Accountant Signature <i>Michael A. [unclear] CPA</i>			

**Marquette County Road Commission
Component Unit Financial Statements
For the Year Ended September 30, 2005**

MARQUETTE COUNTY
BOARD OF COUNTY ROAD COMMISSIONERS

Robert Pecotte, Chairperson

Darryll Sundberg, Vice Chairperson

Michael Kuopus, Member

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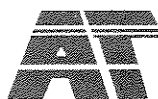
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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of County Road Commissioners
Marquette County Road Commission
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities of the Marquette County Road Commission a component unit of the County of Marquette, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, of the Marquette County Road Commission as of September 30, 2005, and the changes in financial position there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and budgetary comparison information on pages 6 through 13 and 26 through 27, is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated December 9, 2005 on our consideration of the Marquette County Road Commission's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Chairman and Members
of the Board of Commissioners
County of Marquette, Michigan

Our audit was conducted for the purpose of forming opinion's on the financial statements that collectively comprise the Marquette County Road Commission's basic financial statements. The schedules listed as additional information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Marquette County Road Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of Marquette County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services are financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts--management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to ensure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Commission as a Whole

Government-Wide Statements

The statement of net assets and the statement of activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as changes in the county's property tax base, the conditions of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Fund Financial Statements

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page 29. The fund financial statements begin on page 14 and provide detailed information about the major fund.

Governmental Funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 9%, or \$564,836, from \$6,145,109 to \$6,709,945 for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorized the government to assess, levy, charge or otherwise mandate payment of resources and include a legally enforceable requirement

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$564,836 during 2005.

The general fund operations resulted in a net decrease of \$714,221. The following adjustments were made in order to calculate the change in net assets of \$564,836:

- Decrease expenditures by net capital outlay expenditures of \$671,304
- Increase expenditures by the change in vacation and sick leave balances of \$17,437
- Decrease expenditures by debt principal payments made of \$625,190

Net assets as of years ended September 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$6,322,551	\$7,070,680
Capital Assets	<u>3,221,868</u>	<u>2,550,563</u>
Total Assets	<u>9,544,419</u>	<u>9,621,243</u>
Long-Term Debt Outstanding	1,773,139	2,380,891
Other Liabilities	<u>1,061,335</u>	<u>1,095,243</u>
Total Liabilities	<u>2,834,474</u>	<u>3,476,134</u>
Net Assets		
Invested in Capital Assets		
Net of Debt	1,952,316	946,596
Restricted	<u>4,757,629</u>	<u>5,198,513</u>
Total Net Assets	<u>\$6,709,945</u>	<u>\$6,145,109</u>

Changes in Net Assets

A summary of changes in net assets for the years ended September 30, 2005 and 2004 is as follows:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Program Revenue		
License and Permits	\$18,180	\$18,480
Federal Grants	588,848	796,951
State Grants	6,529,711	7,452,957
Contributions From Local Units	732,598	408,208
Charges for Services	2,277,022	2,247,832

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

	<u>2005</u>	<u>2004</u>
Investment Earnings	\$112,041	\$77,019
Reimbursements	<u>185,793</u>	<u>396,144</u>
Total Revenue	<u>10,444,193</u>	<u>11,397,591</u>
Expenses		
Public Works	9,817,050	10,044,833
Interest Expense	<u>62,307</u>	<u>75,674</u>
Total Expenses	<u>9,879,357</u>	<u>10,120,507</u>
Excess Before Transfers	564,836	1,277,084
Transfer in	<u>-</u>	<u>40,000</u>
Increase in Net Assets	<u>\$564,836</u>	<u>\$1,317,084</u>

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended September 30, 2005, the fund balance of the general operations fund decreased \$714,221 as compared to an increase of \$1,270,357 in the fund balance for the year ended September 30, 2004. Total operating revenues were \$10,444,193 a decrease of \$1,144,509 as compared to last year. Total expenditures were \$11,158,414, an increase of \$800,069 as compared to last year.

Revenues were higher in the previous year mainly due to some prior period adjustments that had been made. Capital outlay expenditures totaling over \$1.26 million were made in 2005, which is almost \$730,000 more than the prior year, and is the primary reason for the increase in expenditures from 2004 to 2005.

A summary of changes in the Operating Fund is as follows:

	<u>9/30/05</u>	<u>9/30/04</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Variance</u>
	<u>Operating Fund</u>	<u>Operating Fund</u>	<u>Variance</u>	<u>Percent</u>
Revenues				
License & Permits	\$ 18,180	\$ 18,480	\$ (300)	(2)%
Federal Grants	588,848	796,951	(208,103)	(26)
State Grants	6,529,711	7,452,957	(923,246)	(12)
Contributions From Local Units	732,598	408,208	324,390	79
Charges for Services	2,277,022	2,247,832	29,190	1
Interest and Rents	112,041	77,019	35,022	45
Other Revenue	<u>185,793</u>	<u>587,255</u>	<u>(401,462)</u>	<u>(68)</u>
Total Revenues	<u>10,444,193</u>	<u>11,588,702</u>	<u>(1,144,509)</u>	<u>(10)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

	9/30/05 <u>Operating Fund</u>	9/30/04 <u>Operating Fund</u>	Favorable (Unfavorable) <u>Variance</u>	Variance <u>Percent</u>
Expenditures				
Public Works	\$9,799,613	\$10,014,597	\$214,984	2%
Net Capital Outlay	671,304	(60,324)	(731,628)	(1,213)
Debt Service	<u>687,497</u>	<u>404,072</u>	<u>(283,425)</u>	<u>(70)</u>
Total Expenditures	<u>11,158,414</u>	<u>10,358,345</u>	<u>(800,069)</u>	<u>(8)</u>
Excess of Expenditures Over Revenues	<u>(714,221)</u>	<u>1,230,357</u>	<u>(1,944,578)</u>	<u>158</u>
Other Financing Sources				
Proceeds from Lease	-	-	-	-
Transfer In	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>	<u>(100)</u>
Total Other Financing Sources	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>	<u>(100)</u>
Excess of Revenues and Other Financing Sources Over Expenditures	(714,221)	1,270,357	(1,984,578)	(156)
Fund Balance—Beginning	<u>5,975,437</u>	<u>4,705,080</u>	<u>1,270,357</u>	<u>27</u>
Fund Balance--Ending	<u>\$5,261,216</u>	<u>\$5,975,437</u>	<u>\$(714,221)</u>	<u>(12)%</u>

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget were compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2005 was \$265,919, higher than the original budget. The actual revenue recognized during 2005 was less than the final amended budget by \$985,365.

The largest component of the discrepancy between actual revenue and expenses recognized and the final amended budget numbers (approximately \$985,000) has to do with budgeting for equipment depreciation. Both the revenue amount and the expense amount were omitted from the budget as it was approved. The actual amount of depreciation credit was \$621,467. Also, the 2005 construction season went much farther into the fall than was expected, thus heavy maintenance expenditures on both the primary and local roads were less than budgeted, and the corresponding revenue items associated with those projects were also less than budgeted.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

The final amended expenditure budget for 2005 was \$ 388,126 higher than the original budget. The actual expenditures recognized during 2005 were less than the final amended budget by \$ 986,144.

The largest component of the discrepancy between actual revenue and expenses recognized and the final amended budget numbers (approximately \$985,000) has to do with budgeting for equipment depreciation. Both the revenue amount and the expense amount were omitted from the budget as it was approved. The actual amount of depreciation credit was \$621,467. Also, the 2005 construction season went much farther into the fall than was expected, thus heavy maintenance expenditures on both the primary and local roads were less than budgeted, and the corresponding revenue items associated with those projects were also less than budgeted.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2005, the Road Commission had invested \$3,221,868 in capital assets. This amount represents a net decrease (including additions and deductions) of \$671,305 or 21% as follows:

	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change 2005/2004</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 272,377	\$ 272,377	0
Land/Right-of-Way	-	-	0
Construction in Progress	-	-	0
Subtotal	<u>272,377</u>	<u>272,377</u>	<u>0</u>
Capital Assets Being Depreciated			
Depletable Assets	161,686	161,686	0
Buildings	2,066,850	2,003,195	0
Equipment	12,341,404	11,289,833	(1)
Yard and Storage	695,663	518,117	85
Infrastructure	-	-	0
Subtotal	<u>15,265,603</u>	<u>13,972,831</u>	<u>(1)</u>
Total Capital Assets	<u>15,537,980</u>	<u>14,245,208</u>	<u>1</u>
Total Accumulated Depreciation	<u>(12,316,112)</u>	<u>(11,694,645)</u>	<u>(3)</u>
Total Net Capital Assets	<u>\$ 3,221,868</u>	<u>\$ 2,550,563</u>	<u>(9)%</u>

In the current fiscal year, the Road Commission constructed a new state salt shed for \$177,546 reimbursed by the State of Michigan, an upgrade to the accounting software for \$7,301, the purchase 8 new trucks for \$ 1,017,235 and \$27,033 in smaller items.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$-0- and an additional \$-0- in construction in progress related to the infrastructure. The infrastructure recorded, during 2005, will be depreciated in the following year. The infrastructure is financed through federal, state and local contributions.

The Road Commission will retroactively report infrastructure assets (assets acquired after 1980) in a subsequent year as permitted by GASB 34.

This year's major capital asset additions included the following:

Reconstruction of Bridges (by Location)	\$	-
Various Resurfacing Projects and Related Land/Right-of-Way		-
Construction in Progress (Various Resurfacing Projects)		-
Land		-
Building		63,656
Trucks/Equipment		1,051,569
Yard and Storage		<u>177,546</u>
Total Additions		<u>\$1,292,771</u>

Debt

At the year end, the Road Commission had \$1,269,552 in bonds and installment purchase agreements versus \$1,894,742 last year, a decrease of 625,190 or 33% as shown below:

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	Total Percentage Change <u>2005/2004</u>
Bonds Payable	\$ 1,200,000	\$ 1,400,000	\$(200,000)	(14)%
Installment Purchase Agreements	<u>69,552</u>	<u>494,742</u>	<u>(425,190)</u>	<u>(86)%</u>
Total	<u>\$1,269,552</u>	<u>\$1,894,742</u>	<u>\$(625,190)</u>	<u>(33)%</u>

During 2005, there was no new debt.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note I to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

of Transportation projections, it is estimated that the Road Commission will receive \$5,878,000, (2.9%) less in Michigan Transportation Fund revenues in 2006. The Road Commission received approximately 4% of its revenues from township contributions during 2006, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2006, we expect to receive at least \$2,228,000 in federal and state aid for road projects, some of which was deferred from 2005. Some of these projects were released late in the year after the construction season.

The above items were considered when adopting the budget for 2005.

The board of county road commissioners considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The Road Commission derives approximately 55% of its revenues from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will roughly the same Michigan Transportation Fund revenues in 2006. The Road Commission received approximately 7% of its revenues from township contributions during 2005, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2006, we expect to receive at least \$4,863,936 in federal and state aid for road projects, some of which was deferred from 2006. Some of these projects were released late in the year after the construction season.

The above items were considered when adopting the budget for 2006.

Budgeted expenditures for 2006 are \$13,814,937, and budgeted revenues are \$13,579,879. The 2006 budget assumes a use of fund equity of \$235,058 to make up for the shortfall in revenues. Heavy maintenance expenditures and the federal/state aid and township contributions associated with them are based on projects planned for the summer of 2006, along with those projects that were completed in the fall of 2005. Regular maintenance expenditures, along with administrative and engineering expenditures are based on 2005 actual expenses, taking into account estimated labor and fringe benefit increases.

Contacting the Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Marquette County Road Commission's administrative offices at 1610 North Second Street, Ishpeming, Michigan 49849.

Marquette County Road Commission
Governmental Funds Balance Sheet / Statement of Net Assets
September 30, 2005

	Modified Accrual Basis	Adjustments	Statement Of Net Assets
<u>ASSETS</u>			
Cash and Cash equivalents	\$ 3,123,507	\$ -	\$ 3,123,507
Accounts receivable:			
Michigan Transportation Fund	902,743	-	902,743
State Highway - Other	502,157	-	502,157
Due on County Road Agreements	870,773	-	870,773
Sundry Accounts	46,436	-	46,436
Inventories:			
Road materials	508,426	-	508,426
Equipment materials and parts	199,299	-	199,299
Prepaid insurance	169,210	-	169,210
Capital Assets (Net of Accumulated Depreciation)	-	3,221,868	3,221,868
Total Assets	<u>\$ 6,322,551</u>	<u>\$ 3,221,868</u>	<u>9,544,419</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 266,091	\$ -	\$ 266,091
Accrued Liabilities	127,560	-	127,560
Performance Bonds Payable	39,000	-	39,000
Advances	472,343	-	472,343
Deferred Revenue	156,341	-	156,341
Non-Current Liabilities			
Bonds Payable - Due Within One Year	-	200,000	200,000
Notes Payable - Due Within One Year	-	69,552	69,552
Accumulated Employee Benefits - Due Within One Year	-	125,897	125,897
Bonds Payable - Due After One Year	-	1,000,000	1,000,000
Accumulated Employee Benefits - Due After One Year	-	377,690	377,690
Total Liabilities	<u>1,061,335</u>	<u>1,773,139</u>	<u>2,834,474</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances - Unreserved	<u>5,261,216</u>	<u>(5,261,216)</u>	<u>-</u>
Total Fund Equities	<u>5,261,216</u>	<u>5,261,216</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 6,322,551</u>		
Net Assets			
Invested in Capital Assets - Net of Related Debt		1,952,316	1,952,316
Restricted for County Road		4,757,629	4,757,629
Total Net Assets		<u>\$ 1,448,729</u>	<u>\$ 6,709,945</u>

The Notes to Financial Statements are an integral part of this statement.

Marquette County Road Commission
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities
For the Year Ended September 30, 2005

	Modified Accrual Basis	Adjustments	Statement Of Net Assets
Revenue			
License and Permits	\$ 18,180	\$ -	\$ 18,180
Federal Grants	588,848	-	588,848
State Grants	6,529,711	-	6,529,711
Contributions From Local Units	732,598	-	732,598
Charges for Services	2,277,022	-	2,277,022
Interest and Rents	112,041	-	112,041
Other Revenue	185,793	-	185,793
Total Revenue	<u>10,444,193</u>	<u>-</u>	<u>10,444,193</u>
Expenditures			
Current			
Primary Road Heavy Maintenance	1,147,606	-	1,147,606
Primary Road Maintenance	1,375,309	-	1,375,309
Local Road Heavy Maintenance	1,951,109	-	1,951,109
Local Maintenance	2,498,645	-	2,498,645
State Tunkline Maintenance	2,210,747	-	2,210,747
Equipment Expense - Net	250,940	-	250,940
Administrative Expense - Net	319,108	-	319,108
Compensated Absences	-	17,437	17,437
Capital Outlay - Net	671,304	(671,304)	-
Other Expense	46,149	-	46,149
Debt Service			
Principle	625,190	(625,190)	-
Interest	62,307	-	62,307
Total Expenditures	<u>11,158,414</u>	<u>(1,279,057)</u>	<u>9,879,357</u>
Excess of Revenue Over (Under) Expenditures	<u>(714,221)</u>	<u>1,279,057</u>	<u>564,836</u>
Other Financing Sources			
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(714,221)</u>	<u>1,279,057</u>	<u>564,836</u>
Change in Net Assets			
Fund Balance/Net Assets - Beginning of Year	5,975,437	169,672	6,145,109
Fund Balance/Net Assets - End of Year	<u>\$ 5,261,216</u>	<u>\$ 1,448,729</u>	<u>\$ 6,709,945</u>

The Notes to the Financial Statements are an integral part of this statement.

Marquette County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Marquette County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Marquette County Road Commission.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

(1) Reporting Entity

The Marquette County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Marquette County Road Commission, a discretely presented component unit of Marquette County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

(2) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Marquette County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expense is those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

(3) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(4) Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Marquette County Road Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before September 30, 2007 as permitted by GASB 34.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Department	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure—Roads	8 to 30 years
Infrastructure—Bridges	12 to 50 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave)

It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public hearing. The budget is amended as necessary during the year, and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

NOTE C – CASH DEPOSITS AND INVESTMENTS:

The cash and investments are classified by GASB Statement No. 40 in the following categories:

Petty Cash	\$	-
Investments – Held with County Treasurer		3,123,507
Total		<u>\$3,123,507</u>

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States, United States governmental or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivision which are treated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued):

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of Public Act 20 of 1943.

The cash of the Road Commission needs to be considered in conjunction with the overall county cash position in regards to Governmental Accounting Standards Board Statement #3 and #40. This information can be found in the September 30, 2005 combined annual financial statements for the County of Marquette, Michigan.

NOTE D – DEFERRED COMPENSATION PLAN:

The Marquette County Road Commission offers all its employees a deferred compensation plan created accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Marquette County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Marquette County Road Commission's financial statements.

NOTE E – CAPITAL ASSETS:

Capital asset activity of the Marquette County Road Commission for the current year was as follows:

	Beginning Balances 10/01/04	Additions	Deletions	Ending Balances 9/30/05
Capital Assets Not Being Depreciated:				
Land and Improvements	\$272,377	\$ -	\$ -	\$272,377
Land/Right-of-Way	-	-	-	-
Construction in Progress	-	-	-	-
Subtotal	272,377	-	-	272,377
Capital Assets Being Depreciated:				
Depletable Assets	161,686	-	-	161,686
Buildings	2,003,195	63,655	-	2,066,850
Road Equipment	10,863,272	1,043,270	-	11,906,542
Shop Equipment	135,248	-	-	135,248
Office Equipment	191,144	(1,000)	-	192,144
Engineers' Equipment	63,194	7,301	-	70,495
Yard and Storage	518,117	177,546	-	695,663
Vehicles	36,975	-	-	36,975

NOTE E – CAPITAL ASSETS (Continued):

	Beginning Balances 10/01/04	Additions	Deletions	Ending Balances 9/30/05
Infrastructure—Bridges	\$ -	\$ -	\$ -	\$ -
Infrastructure—Roads	-	-	-	-
Subtotal	<u>13,972,831</u>	<u>1,292,772</u>	<u>-</u>	<u>15,265,603</u>
Less Accumulated Depreciation:				
Depletable Assets	(161,686)	-	-	(161,686)
Buildings	(1,133,915)	(45,121)	-	(1,179,036)
Road Equipment	(9,933,564)	(506,267)	-	(10,439,831)
Shop Equipment	(93,238)	(9,338)	-	(102,576)
Office Equipment	(159,415)	(2,406)	-	(161,821)
Engineers' Equipment	(60,865)	(2,152)	-	(63,017)
Yard and Storage	(117,805)	(53,389)	-	(171,194)
Vehicles	(34,157)	(2,794)	-	(36,951)
Infrastructure—Bridges	-	-	-	-
Infrastructure—Roads	-	-	-	-
Subtotal	<u>(11,694,645)</u>	<u>(621,467)</u>	<u>-</u>	<u>(12,316,112)</u>
Net Capital Assets Being Depreciated	<u>2,278,186</u>	<u>671,305</u>	<u>-</u>	<u>2,949,491</u>
Total Net Capital Assets	<u>\$2,550,563</u>	<u>\$671,305</u>	<u>\$ -</u>	<u>\$3,221,868</u>

Depreciation expense was charged to programs of the Marquette County Road Commission as follows:

Equipment Expense:	
Direct	\$506,226
Indirect	86,750
Administrative Expense	28,491
Total Depreciation Expense	<u>\$621,467</u>

NOTE F – EMPLOYEE RETIREMENT AND BENEFIT:**Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)**

Plan Description – The Marquette County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: Gabriel, Roeder, Smith & Company, One Town Square, Suite 800, Southfield, Michigan, 48076.

NOTE F – EMPLOYEE RETIREMENT AND BENEFIT (Continued):

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Marquette County Road Commission's competitive bargaining units and requires any contribution from the employees of zero to 10% of gross wages for the County Road Commission.

Annual Pension Costs – For year ended 2005, Marquette County Road Commission's annual pension cost of \$585,636 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal funding method. Significant actuarial assumptions used include: (1) an 8% investment rate of return; (2) projected salary increases of 4.5% per year; and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30 follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual Pension Cost (APC)	\$528,881	\$480,113	\$558,214
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$8,377,435	\$8,691,001	\$9,113,598
Actuarial Accrued Liability (AAL)	\$14,854,137	\$15,508,649	\$17,146,651
Unfunded AAL (UAAL)	\$6,476,702	\$6,817,648	\$8,033,053
Funded Ratio	56%	56%	53%
Covered Payroll	\$2,862,489	\$2,503,371	\$2,671,786
UAAL as a Percentage of Covered Payroll	226%	272%	301%

NOTE G – FEDERAL GRANTS:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2005, the Federal aid received and expended by the Road Commission was \$139,688 for contracted projects and \$400,729 negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects which will be included with the County's Single Audit.

NOTE H – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION:

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. Full premium of medical benefits for the retired employees only, between 60 and 65 years old are paid by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, 3 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$248,308 were recognized for post-retirement health care.

NOTE I – GENERAL LONG-TERM DEBT:

The general long-term debt of the Road Commission may be summarized as follows:

	Balance October 1, 2004	Additions (Reductions)	Balance September 30, 2005
SIB Loan	\$ 290,775	\$ (290,775)	\$ -
Volvo Lease	203,967	(134,415)	69,552
Bond	1,400,000	(200,000)	1,200,000
Vested Employee Benefits:			
Vacation Benefits	74,532	5,771	80,303
Sick Leave Benefits	411,617	11,667	423,284
TOTAL	<u>\$2,380,891</u>	<u>\$(607,752)</u>	<u>\$1,773,139</u>

On June 7, 2001, the Marquette County Road Commission issued \$2,000,000 Michigan Transportation Fund Revenue Note of 2001 "Bond" for the purpose of equipment purchase and paying off of the debt related to equipment purchases in the past. The bond's interest is due semi-annually on February 7 and August 7 at a rate of 4% with principal due August 7 of each year.

Bond	Principal	Interest	Total
2006	\$200,000	\$51,800	\$251,800
2007	200,000	43,800	243,800
2008	200,000	35,300	235,300
2009	200,000	26,800	226,800
Thereafter	400,000	27,000	427,000
Total	<u>\$1,200,000</u>	<u>\$184,700</u>	<u>\$1,384,700</u>

SIB LOAN

As part of the Emergency Funding from the State of Michigan for the 2004 Dead River Flooding reconstruction, the State gave the Marquette County Road Commission a \$290,775 loan from the State Infrastructure Bank, with 0% interest and is due on September 30, 2005 in one lump sum payment.

NOTE I – GENERAL LONG-TERM DEBT (Continued):**VOLVO LOAN**

In May of 2005, the Marquette County Road Commission purchased two Volvo Motor Graders on an installment loan for \$395,900 with 36 month payments of \$11,747.

	Principal	Interest	Total
2006	<u>\$69,552</u>	<u>\$960</u>	<u>\$70,512</u>

Vested Employee Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefit Policies

Road Commission employment policies provide that each regular employee shall earn sick leave with pay at the rate of 1 day, or 8 hours, for each completed month of employment. Sick leave may be accumulated without limit.

Upon retirement, death or discontinuance of employment for any reason, except for dismissal for disciplinary reasons, the employee shall be paid for 1,500 hours accumulated sick leave at the employee's prevailing rate of pay at the time of the termination of employment.

Required Supplemental Information

Marquette County Road Commission
General Operating Fund
Statement of Revenues and Other Financing Sources
Budgetary Comparison Schedule
For the Year Ended September 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Licenses and Permits	\$ 15,000	\$ 15,000	\$ 18,180	\$ 3,180
Federal Aid				
Surface Transportation Program	2,015,000	1,144,017	94,734	(1,049,283)
Economic Development "D" Funds	-	-	334,336	334,336
Federal Critical Bridge	-	-	139,688	139,688
Other	-	-	20,090	20,090
State Aid				
Michigan Transportation Fund:				
Engineering	5,484,013	5,484,013	10,000	(5,474,013)
Primary Road	-	-	3,040,022	3,040,022
Primary Urban Road	-	-	164,559	164,559
Local Road	-	-	2,017,139	2,017,139
Local Urban Road	-	-	108,281	108,281
Snow Removal	394,410	405,335	405,335	-
Other	-	-	182,166	182,166
Economic Development Fund:				
Rural Primary "D" Funds	-	-	127,381	127,381
Forest Road "E" Funds	441,000	460,000	474,828	14,828
Contributions from Local Units				
Townships	713,631	750,000	732,598	(17,402)
Charges for Service:				
Trunkline Maintenance	1,812,534	2,211,350	2,211,346	(4)
Salvage sales	-	-	9,943	9,943
Other	-	-	55,733	55,733
Interest and Rents	66,250	107,843	112,041	4,198
Other:				
Reimbursements	221,801	852,000	185,793	(666,207)
Total Operating Revenue	<u>11,163,639</u>	<u>11,429,558</u>	<u>10,444,193</u>	<u>(985,365)</u>
Other Financing Sources				
Total Revenue and Other Financing Sources	<u>11,163,639</u>	<u>11,429,558</u>	<u>\$ 10,444,193</u>	<u>\$ (985,365)</u>
Fund Balance - October 1, 2004	<u>5,975,437</u>	<u>5,975,437</u>		
Total Budget	<u>\$ 17,139,076</u>	<u>\$ 17,404,995</u>		

Marquette County Road Commission
General Operating Fund
Statement of Expenditures
Budgetary Comparison Schedule
For the Year Ended September 30, 2005

	Amended Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Roads:				
Heavy maintenance	\$ 2,428,666	\$ 1,043,330	\$ 1,036,992	\$ 6,338
Maintenance	1,285,277	1,375,450	1,375,309	141
Local Roads:				
Heavy maintenance	1,967,483	1,672,825	1,615,654	57,171
Maintenance	2,398,202	2,542,949	2,498,645	44,304
Primary Roads Structures:				
Heavy Maintenance	312,352	285,024	110,614	174,410
Local Roads Structures:				
Heavy Maintenance	151,000	262,663	335,455	(72,792)
State Trunkline Maintenance	1,812,534	2,210,755	2,210,747	8
Equipment Expense - Net	(436,078)	264,124	250,940	13,184
Direct			1,787,838	
Indirect			1,130,288	
Operating			418,373	
Less: Equipment Rentals			(3,085,559)	
Administrative Expense - Net	388,872	407,440	319,108	88,332
Administrative Expense			438,670	
Engineering Expense			111,341	
Less: Overhead - State Trunkline			(230,903)	
Capital Outlay - Net	805,000	1,292,775	671,304	621,471
Capital Outlay			1,292,771	
Less: Depreciation Credits			(621,467)	
Other - Cost of Sales	242,352	99,723	46,149	53,574
Debt Service				
Principle Payment	400,772	687,500	625,190	62,310
Interest Expense	-	-	62,307	(62,307)
TOTAL EXPENDITURES	<u>11,756,432</u>	<u>12,144,558</u>	<u>\$ 11,158,414</u>	<u>\$ 986,144</u>
FUND BALANCE - September 30, 2003	<u>5,382,644</u>	<u>5,260,437</u>		
Total Budget	<u>\$ 17,139,076</u>	<u>\$ 17,404,995</u>		

Supplemental Financial Information

Marquette County Road Commission
 Analysis of Changes in Fund Balance
 For the Year Ended September 30, 2005

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Revenues	\$ 4,035,240	\$ 3,683,677	\$ 2,725,276	\$ 10,444,193
Expenditures	<u>2,687,236</u>	<u>4,772,420</u>	<u>3,698,758</u>	<u>11,158,414</u>
Excess of Revenues Over (Under) Expenditures	<u>1,348,004</u>	<u>(1,088,743)</u>	<u>(973,482)</u>	<u>(714,221)</u>
Other Financing Sources (Uses)				
Optional Transfers In (Out)	(962,873)	962,873	-	-
Interfund Transfers In (Out)	<u>-</u>	<u>125,870</u>	<u>(125,870)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(962,873)</u>	<u>1,088,743</u>	<u>(125,870)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>385,131</u>	<u>-</u>	<u>(1,099,352)</u>	<u>(714,221)</u>
Fund Balance - October 1	<u>982,692</u>	<u>-</u>	<u>4,992,745</u>	<u>5,975,437</u>
FUND BALANCE - SEPTEMBER 30	<u>\$ 1,367,823</u>	<u>\$ -</u>	<u>\$ 3,893,393</u>	<u>\$ 5,261,216</u>

Marquette County Road Commission

Analysis of Revenues

For the Year Ended September 30, 2005

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Licenses and Permits	\$ -	\$ -	\$ 18,180	\$ 18,180
Federal Aid				
Surface Transportation Program	66,393	28,341	-	94,734
Economic Development "D" Funds	334,336	-	-	334,336
Federal Critical Bridge	-	139,688	-	139,688
Other	-	20,090	-	20,090
State Aid				
Michigan Transportation Fund:				
Engineering	5,000	5,000	-	10,000
Primary Road	3,040,022	-	-	3,040,022
Primary Urban Road	164,559	-	-	164,559
Local Road	-	2,017,139	-	2,017,139
Local Urban Road	-	108,281	-	108,281
Snow Removal	-	405,335	-	405,335
Other	31,794	-	150,372	182,166
Economic Development Fund:				
Rural Primary "D" Funds	127,381	-	-	127,381
Forest Road "E" Funds	250,695	224,133	-	474,828
Contributions from Local Units				
Townships	-	732,598	-	732,598
Charges for Service:				
Trunkline Maintenance	-	-	2,211,346	2,211,346
Salvage sales	-	-	9,943	9,943
Other	-	-	55,733	55,733
Interest and Rents	-	-	112,041	112,041
Other:				
Reimbursements	15,060	3,072	167,661	185,793
Total Operating Revenue	<u>4,035,240</u>	<u>3,683,677</u>	<u>2,725,276</u>	<u>10,444,193</u>
Other Financing Sources				
Total Revenue and Other Financing Sources	<u>\$ 4,035,240</u>	<u>\$ 3,683,677</u>	<u>\$ 2,725,276</u>	<u>\$ 10,444,193</u>

Marquette County Road Commission
 Analysis of Expenditures
 For the Year Ended September 30, 2005

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Primary Roads:				
Heavy maintenance	\$ 1,036,992	\$ -	\$ -	\$ 1,036,992
Maintenance	1,375,309	-	-	1,375,309
Local Roads:				
Heavy maintenance	-	1,615,654	-	1,615,654
Maintenance	-	2,498,645	-	2,498,645
Primary Roads Structures:				
Heavy Maintenance	110,614	-	-	110,614
Local Roads Structures:				
Heavy Maintenance	-	335,455	-	335,455
State Trunkline Maintenance	-	-	2,210,747	2,210,747
Equipment Expense - Net	48,858	119,021	83,061	250,940
Administrative Expense - Net	115,463	203,645	-	319,108
Capital Outlay - Net	-	-	671,304	671,304
Other	-	-	46,149	46,149
Debt Service				
Principle Payment	-	-	625,190	625,190
Interest Expense	-	-	62,307	62,307
TOTAL EXPENDITURES	\$ 2,687,236	\$ 4,772,420	\$ 3,698,758	\$ 11,158,414

Compliance Section



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Road Commissioners
Marquette County Road Commission
Ishpeming, MI 49849

We have audited the financial statements of the Marquette County Road Commission; component units of the County of Marquette, Michigan as of and for the year ended September 30, 2005, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette County Road Commission's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the audit committee, the Board, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 9, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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Marquette County Road Commission
Report to Management Letter
For the Year Ended September 30, 2005

Board of County Road Commissioners
Marquette County Road Commission
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the Marquette County Road Commission for the year ended September 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Other Comments and Recommendations

GASB No. 34 Implementation

The Governmental Accounting Standards Board has recently issued Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" which will completely change the way local governments are required to prepare financial reports and infrastructure information. The thresholds and effective dates of the new reporting model is based on governmental and enterprise fund revenues for the base period ending in 1999.

Based on the financial results of the County of Marquette for the year ending September 30, 1999, you are required to implement the infrastructure reporting portion of GASB #34 for the year ending September 30, 2007.

Although implementation of the infrastructure reporting model is for the year ended September 30, 2007 the actual preparation must consider that the implementation affects the first date of that fiscal year. In other words you must be prepared to gather the proper information and implement the new standard as of September 30, 2006. The Board should consider developing an implementation plan that includes input from and consultation with the audit firm, individual units with the primary government, departments, and component units. We encourage you to start to begin preparing for this implementation as you are nearing the initial period.

Board of County Road Commissioners
Marquette County Road Commission
Ishpeming, Michigan 49849

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This report is intended solely for the information and use of the Commission's management, others within the County Administration and any oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Commission's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 9, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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December 9, 2005

Board of County Road Commissioners
Marquette County Road Commission
Ishpeming, Michigan 49849

We have audited the financial statements of the Marquette County Road Commission for the year ended September 30, 2005, and have issued our report thereon dated December 9, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter (at the county level), our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Marquette County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Marquette County Road Commission are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Marquette County Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates having a material affect in the financial statements.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustments may or may not indicate matters that could have a significant effect on the Marquette County Road Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by the Marquette County Road Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the Marquette County Road Commission's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principals and auditing standards, with management each year prior to retention as the Marquette County Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Board of Marquette County Road Commissioners and management of the Marquette County Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants